

Social Security

How Work Affects Your Benefits



Introduction

You can receive Social Security retirement or survivors benefits and work at the same time. However, depending on your age, your benefits could be reduced if you earn over certain amounts. As you read on, you learn what counts as “earnings,” how earnings affect your benefits and how to report those earnings to Social Security. This leaflet also explains a special rule that usually applies to the first year you begin getting Social Security benefits.

Note: A different set of rules applies to people receiving Social Security disability benefits or Supplemental Security Income (SSI) payments. They should report all earnings to Social Security.

Also, a different set of rules applies to most work performed outside the United States. Contact Social Security if you are working (or plan to work) outside the U.S.

What Are The Year 2003 Earnings Limits?

A law that went into effect January 1, 2000, changed the way we determine how your benefits are affected when you work while receiving retirement or survivors benefits. When you're working, your benefit amount will be reduced only until you reach your full retirement age (age 65 and 2 months in 2003), not up to age 70 as the previous law required.

We use this formula to determine how much your benefit must be reduced:

- If you're under full retirement age when you begin receiving your Social Security benefits, \$1 in benefits will be deducted for each \$2 you earn above the annual limit. For 2003, this limit is \$11,520.
- In the year you reach full retirement age, \$1 in benefits will be deducted for each \$3 you earn above a different limit, but only for the months before the month you reach the full retirement age. For 2003, this limit is \$30,720. Starting with the month you reach full retirement age, you can receive your full benefits with no limit on your earnings.

These are examples of how the rules would affect you:

- Let's say you begin receiving Social Security benefits at age 62 in January 2003 and you're entitled to \$600 a month (\$7,200 for the year). During the year, you work and earn \$20,000 (\$8,480 over the \$11,520 limit). We would withhold \$4,240 of your Social Security benefits (\$1 for every \$2 you earn over the limit), but you would still receive \$2,960 in benefits.
- Or, let's say you were age 64 at the beginning of the year, but reached full retirement age (65 and 2 months) in August 2003. You earned \$33,000 in the seven months from January through July. During this period, the amount of benefits we would withhold would be

\$760 (\$1 for every \$3 you earned above the \$30,720 limit). You would still receive \$3,440 of your Social Security benefits.

And, starting in August (when you reach 65 and 2 months), you would begin receiving your full benefits, no matter how much you earn.

Your Earnings And Your Benefits—How Much Will You Get?

The following table gives you an idea of how much you receive for the year based on your monthly benefits and estimated earnings.

For People Age 64 and Under		
If Your Monthly Social Security Benefit Is	And You Earn	You Will Receive Yearly Benefits Of
\$500 500	\$11,520 or less 15,000	\$6,000 4,260
700 700 700	11,520 or less 15,000 20,000	8,400 6,660 4,160
900 900 900	11,520 or less 15,000 20,000	10,800 9,060 6,560

What Income Counts ... And When Do We Count It?

If you work for someone else, only your wages count toward Social Security's earnings limits. If you're self-employed, we count only your net earnings from self-employment. In either case, we

don't count non-work income such as other government benefits, investment earnings, interest, pensions, annuities and capital gains.

If you work for wages, income counts when it is earned, not when it is paid. If you have income that you earned in one year but the payment was deferred to the following year, it should not be counted as earnings for the year you receive it. Some examples of deferred income include accumulated sick or vacation pay and bonuses.

If you're self-employed, income counts when you receive it—not when you earn it—except if it is paid in a year after you become entitled to Social Security and was earned before you became entitled to Social Security. For example, if you start getting Social Security in June 2003 and you receive some money in February 2004 for work you did before June, it will **not** count against your 2004 earnings limit. However, if the money you receive in February 2004 was for work you did after June, it **will** count against your 2004 earnings limit.

Also, if you're self-employed, we consider whether you perform substantial services in your business. One measure of your service is the amount of time you spend working. In general, if you work more than 45 hours a month in self-employment, you are not retired; if you work less than 15 hours a month, you are retired. Work between 15 and 45 hours a month may be considered substantial if you work in an occupation that requires a lot of skill or you are managing a sizable business.

For detailed information about how we figure the amount of time you spend in your business and whether your work is substantial, call or visit us.

A Special Rule For The First Year You Retire

Sometimes, people who retire in mid-year have already earned more than the yearly earnings limit before they retire. That's why there's a special rule that applies to earnings for one year, usually the first year of retirement. Under this rule, you can receive a full Social Security check for any whole month you are retired, regardless of your yearly earnings.

In 2003, a person under full retirement age (65 and 2 months in 2003) is considered retired if monthly earnings are \$960 or less. For example, John Smith retires at age 62 on Aug. 30, 2003. He will make \$45,000 through August. He takes a part-time job beginning in September earning \$500 per month. Although his earnings for the year substantially exceed the year 2003 limit (\$11,520), he will receive a Social Security check for September through December. This is because his earnings in those months are under \$960, the special "first year of retirement" monthly limit for people under full retirement age. If Mr. Smith earns more than \$960 in any one of those months (September through December), he will not receive a benefit for those month(s). Beginning in 2004, only the yearly limits will apply to him because he will be beyond his first year of retirement.

Reporting Changes In Your Earnings

We calculated your benefit payments based on the earnings estimate you gave us when you applied for Social Security or your most recent estimate of earnings. If at any time during the year, you see that your earnings will be different from what you had estimated, you should call us to revise your estimate. This will help us make sure you get the correct benefit amount.

If other family members get benefits on your Social Security record, the total family benefits may be affected by your earnings. This means we may withhold not only your benefits, but those payable to your family as well. But, if you get benefits as a family member, your earnings affect only your own benefits.

If you need help in figuring your earnings, contact us at **1-800-772-1213**. When you call, have your Social Security number handy.

For More Information

Visit our website at www.ssa.gov for answers to general questions about Social Security. You also may call us toll-free at **1-800-772-1213**. We can answer specific questions by phone from 7 a.m. until 7 p.m. on business days and provide information by automated phone service 24 hours a day. If you are deaf or hard of hearing, you may call our TTY number, 1-800-325-0778 between 7 a.m. and 7 p.m. on business days.

We treat all calls confidentially—whether they're made to our toll-free numbers or to one of our local offices. We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some incoming and outgoing telephone calls.

Social Security Administration

SSA Publication No. 05-10069

January 2003 (*Recycle prior editions*)

ICN 467005

Unit of Issue—HD (one hundred)



Printed on recycled paper